

PX 363

From: Arjan Schutte <[REDACTED]@ripple.com> on behalf of Arjan Schutte <[REDACTED]@ripple.com>
To: Chris Larsen
Sent: 3/9/2014 6:19:28 AM
Subject: strategic questions

Chris:

here's what's on my mind, re: Ripple. I would also really like to roll up my sleeves and see where I can add the most value. Will you give some thought to that?

Board meetings. First, let me know how I can help expand and professionalize the board. I'd be psyched to do that. Perhaps establish a board committee to that end? Second, what's your latest thinking on graduating me from observer? Some thoughts on the last meeting: great content, as always. I love how you bring in the team. Great aspiration on leaving more time to discuss strategic issues. I think getting out the update with some more notice and expecting all directors, not just to attend, but to have command of the materials would go a long way. Perhaps you could ask your team to focus on 2-3 key highlights each and answer any clarifying questions. Perhaps also shuffle the order, so the guys who go last aren't always being rushed because the earlier guys took more time. Also, as I mentioned to you a while ago, I'd love for you to build the rapport with a board that allows you to be vulnerable. You're an aggressive optimist, which is awesome, but I think it could also leave your blind spots unexposed/unexplored at the cost of the company and your professional development. Plus, I just generally believe that the ability to be vulnerable allows for the most meaningful exchange of value in any relationship, personal and professional.

Revenue. I've mentioned this before, but I believe there could be significant value to charging a small transaction fee. I know Labs is seeding software for others to use and expand, so I'm not sure the best way to do this mechanically, but betting the farm on appreciation of XRP alone has meaningful limits. I also think charging a low fee might make institutional sales easier, as it will further normalize the company and help get us "on the same elevator" as our gateway "customers." We would certainly want to undercut the market. I know this is contrary to the whole philosophy of crypto currencies. But both from a risk management perspective (see next point), as well as recognizing that people like aligning incentives with business partners (not to mention that we're a contrarian crypto currency play), I think it's something we should (re)consider seriously. I've heard various folks in the market express discomfort that Ripple's success is dis-correlated with their own. I'd hate for others to surpass us because they look/feel more like a "normal" business, even if we have better technology. I'd love to have a conversation about this at board level, if you're open to that.

Monetary Policy. And to the extent that our primary value is and remains the value of XRP, I'm not convinced we have the level of monetary policy experience in house to maximize, at various stages of our evolution, our XRP value creation. Certainly, dealing with a fixed amount of currency has long-term implications for people's trust and utilization of that currency. I am not aware of a clear, rational strategy about releasing XRP today, or at subsequent chapters of our evolution. I don't mean to suggest no one is thinking about it and it's willy nilly, but the metrics you're sharing at the board level don't reflect the level of strategy I believe we need to kick serious ass. I'd love to see a full-time economist on the team, and/or a world-class monetary policy advisory board (not just people like Cohen saying we're cool). I actually think this would help build trust in the community as well. I'd also love to discuss this at the board level.

Regulatory. I invested for four reasons: you (and your team), platform focus (vs store of value), institutional focus (vs retail) and regulatory integration (vs isolation). It's a major differentiator and critical to our propensity for dominance. Therefore, I suggest we include a section on our regulatory integration strategy in board meetings and metrics.

Business Development. Finally, and sorry this is long, sounds like great stuff happening on bdev front. As I've mentioned before, it APPEARS that the strategy is to talk to anyone who will listen (I know that's not the

case). I'd like the team to refine and present their strategy and how we're doing against it vs just a flat file update we're getting today.

That's it. OK with this feedback? Again, let me know how I can punch above my weight for Ripple.

Arjan

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